

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

Mary Maloney, Treasurer
Iowa Democratic Party
5661 Fleur Drive
Des Moines, IA 50321

FEB 26 2003

Identification Number: C00035600

Reference: Amended July Quarterly Report (4/1/02-6/30/02), dated 8/19/02

Dear Ms. Maloney:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Please clarify all expenditures made for Radio/Cable Ad Buy and Radio Actuality Service on Schedule(s) H4. If a portion or all of these expenditures were made on behalf of specifically identified federal candidates, this amount should be disclosed on Schedules B, E, or F supporting Lines 23, 24 or 25 and include the amount, name, address and office sought by each candidate. 11 CFR §§104.3(b) and 106.1

-Your report discloses transfers to your non-federal account (IDP State Account) which appears to be the Federal portion of an in-kind contribution received by your non-federal account. Pursuant to Advisory Opinion 1992-33, the Commission concluded that a "national party committee may accept corporate in-kind donations in connection with fundraising activities" as long as "the federal share of goods or services is paid or transferred to the non-federal account in advance" of the acceptance of the corporate in-kind donations by the federal account.

Advisory Opinion 1992-33 also discloses a detailed method for reporting the receipt and use of in-kind contributions as follows:

1. The transfer of the in-kind corporate contribution from the non-federal

account to the federal account should be disclosed on Schedule H3. The itemization on Schedule H3 should include the date the Committee received the in-kind contribution, the amount of the contribution and the fundraising event involved.

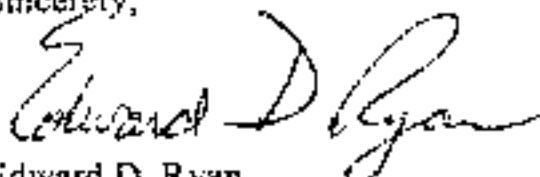
2. The use or expenditure of in-kind corporate contributions should be disclosed on Schedule H4 as non-federal share disbursements. The itemization should provide the same donor identification information required on a Schedule A for in-kind contributions for Federal elections.

3. A second entry on Schedule H4 should then disclose the advance or contemporaneous payment of the federal account's share of the in-kind corporate contribution to the non-federal account.

Please amend your report to properly disclose the in-kind corporate contributions received by your committee (example enclosed).

A response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. Electronic filers must file amendments (to include statements, designation and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530 (at the prompt press 1, then press 2 to reach the Reports Analysis Division). My local number is (202) 694-1130.

Sincerely,



Edward D. Ryan
Campaign Finance Analyst
Reports Analysis Division

11. Prohibited In-Kind Donations for Allocable Activities

While contributions from corporations, labor organizations and federal government contractors are prohibited under federal law, they are permissible under some state laws. If that is the case, such donations may be accepted by a nonfederal account for strictly nonfederal activity. However, the situation is more complicated when donations of goods or services from such sources are made in connection with allocable activity, such as a fundraiser at which both federal and nonfederal funds are collected.

In AD-1992-33, the Commission explained how a committee can legally accept an in-kind donation from a prohibited source in connection with an allocable administrative or fundraising activity. Note that the Commission has not addressed the receipt of in-kind donations from prohibited sources for the other types of allocable expenses (i.e., generic voter drives and candidate support activity).

Advance Payment of Federal Share

To avoid the receipt of a prohibited contribution by the federal account, that account must pay the nonfederal account for the federal share of the in-kind donation. This payment—a transfer to the nonfederal account—must be made in advance, or on the date the goods or services are received.

Per-Transaction Transfers

This federal transfer may be made on a per-transaction basis—that is, shortly before or on the same day the in-kind donation is received.

Easrow Transfers

Alternatively, the federal account may make bulk transfers to cover the federal share of anticipated in-kind donations. Under this "easrow" arrangement, a committee makes a good faith estimate of the amount of in-kind donations that it expects to receive and transfers sufficient funds from the federal account to cover the federal share.

Adjustments

Should the federal account pay more than its share of an in-kind donation, adjustment transfers from the nonfederal account are permissible.

Basic Reporting of In-Kind Donations: Example

On October 1, a state party committee receives a \$5,000 in-kind donation of flowers from a corporation for a federal nonfederal fundraiser ("Chairman's Gala"). The estimated allocation ratio for the fundraiser is 50 percent federal and 50 percent nonfederal. That same day, the federal account transfers its share of the in-kind donation (\$2,500) to the nonfederal account.

Required Forms

- Schedule H3—Transfers from Nonfederal Account
- Schedule H4—Payments for Allocable Expenses

Schedule H3—Receipt of In-Kind Donation

The committee reports the receipt of the in-kind donation as a transfer from the nonfederal account for the "Chairman's Gala" fundraiser. The date used here is the date the committee received the flowers.

RECEIPT OF IN-KIND DONATION (H3)

H3-CR-4700-AF		NONFEDERAL ACCOUNT	
		AMOUNT	PERCENTAGE
1. Total In-Kind Donations		AMOUNT	PERCENTAGE
2. Allocation of In-Kind Donations		AMOUNT	PERCENTAGE
3.			
4.			
5.			
6.			
7.			
8.			

The Schedule H3 shows the nonfederal account's receipt of the \$5,000 in-kind donation of flowers on October 1.

"Disbursement" of In-Kind Donation (H4)

Like in-kind contributions, in-kind donations must be reported as both receipts and disbursements so as not to inflate the cash-on-hand balance. The disbursement side reflects the "use or expenditure" of the resources. Schedule H4 is used for this disbursement entry, which shows the \$5,000 in-kind donation as a 100 percent nonfederal disbursement. The donor's name and address is disclosed in the box generally used for payee.

Transfer from Federal Account (H4)

The second entry on Schedule H4 shows the contemporaneous transfer of \$2,500 (the federal share of the donation) from the federal account to the nonfederal account. The explanation of the transfer is described in the "Purpose" box, with a reference to the previous entry.

Alternative Reporting Method

To minimize entries and avoid duplication, a committee may use alternative methods to report transactions relating to in-kind donations.

The committee may use one entry on Schedule H3 to show the receipt of all in-kind donations made within the same reporting period for a particular fundraising program or event (or administrative activity).

The committee may also use one entry on Schedule H4 to show total federal payments (transfers) made on the same day for the federal share of in-kind donations.

Example

A committee receives two in-kind donations from prohibited sources for a mixed federal/nonfederal fundraising event, "July Fundraiser".

- Invitations donated by XYZ Printers, Inc. (value: \$3,000) received on July 1; and
- Balloons donated by ABC Balloons, Inc. (value: \$1,000) received on July 15.

The fundraising rate for "July Fundraiser" is 50 percent federal, 50 percent nonfederal. The federal account transcribes its \$2,500 share of the two donations on July 1.

DISBURSEMENT OF IN-KIND DONATION; FEDERAL TRANSFER (H4)

DISBURSEMENT SCHEDULE H4		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE			
NAME: JULY FUNDRAISER		FEDERAL NON-FEDERAL			
		FOR USE 2/1			
NAME OF PAYEE					
NAME, ADDRESS AND ZIP CODE		PURPOSE	DATE	FEDERAL	NONFEDERAL
JULY FUNDRAISER 50% FEDERAL SHARE 50% NONFEDERAL SHARE		DISBURSEMENT	JULY 1	FEDERAL	NONFEDERAL
		EXPLANATION		FEDERAL SHARE	NONFEDERAL SHARE

The first entry shows the "disbursement" of the \$5,000 in-kind donation by the nonfederal account. The second entry shows the federal account's transfer of its share of the donation (50 percent or \$2,500) to the nonfederal account.

Schedule H3—Receipt of In-Kind Donations

The committee uses one entry on Schedule H3 to show the total in-kind donations for "July Fundraiser" received during the reporting period. The "date of receipt" shows the period during which the committee received the contributions. The "July Fundraiser" entry cross-references the Schedule H4 entries showing the "disbursement" of the donations and the identity of the contributors.

RECEIPT OF IN-KIND DONATIONS (H3)

NAME OF PAYEE		DATE OF RECEIPT		5
		RECEIVED DURING PERIOD		
		RECEIVED DURING PERIOD	EXPLAIN IN-KIND DONATION	FED. NONFED.
1. INVITATIONS				
2. BALLOONS				
3. OTHER				
4. TOTAL				

The \$4,000 in-kind transfer represents a \$3,000 donation received on July 1 and a \$1,000 donation received on July 15. The entry notes the Schedule H4 entries where information on the donations is available.

Schedule H4--"Disbursement" of Donations: Federal Transfer
Schedule H4 shows the "disbursement" of the two in-kind donations by the nonfederal account, each entry identifying the donor and the date the donations were received.

The third entry shows the federal account's payment for its 50 percent share of the two donations and the date of the transfer to the nonfederal account. The entry refers to the previous two entries to show the transfer relates to those transactions.

"Escrow" Transfer

Advance transfers from the federal account to the nonfederal account to pay the federal share of anticipated in-kind donations are reported on Schedule H3. If known, the particular activity (fundraising program/event or administrative) to which the transfer applies should be noted. If the corresponding in-kind donations are received in a later reporting period, it is understood that the Schedule H3 entry will not be able to list the related Schedule H4 donor entries (showing the nonfederal "disbursement" of the donations).

DISBURSEMENT OF IN-KIND DONATIONS: FEDERAL TRANSFER (H4)

DISBURSEMENT SCHEDULE H4 JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE																													
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NAME OF DONOR/ACTIVITY																													
<table border="1"> <thead> <tr> <th>NAME AND ADDRESS FOR THIS TRANSACTION</th> <th>DISBURSEMENT</th> <th>DATE</th> <th>TOTAL AMOUNT</th> <th>NONFEDERAL SHARE</th> <th>FEDERAL SHARE</th> </tr> </thead> <tbody> <tr> <td>NONFEDERAL ACCOUNT</td> <td>DISBURSEMENT</td> <td>DATE</td> <td>TOTAL AMOUNT</td> <td>NONFEDERAL SHARE</td> <td>FEDERAL SHARE</td> </tr> <tr> <td>NONFEDERAL ACCOUNT</td> <td>DISBURSEMENT</td> <td>DATE</td> <td>TOTAL AMOUNT</td> <td>NONFEDERAL SHARE</td> <td>FEDERAL SHARE</td> </tr> <tr> <td>NONFEDERAL ACCOUNT</td> <td>DISBURSEMENT</td> <td>DATE</td> <td>TOTAL AMOUNT</td> <td>NONFEDERAL SHARE</td> <td>FEDERAL SHARE</td> </tr> </tbody> </table>						NAME AND ADDRESS FOR THIS TRANSACTION	DISBURSEMENT	DATE	TOTAL AMOUNT	NONFEDERAL SHARE	FEDERAL SHARE	NONFEDERAL ACCOUNT	DISBURSEMENT	DATE	TOTAL AMOUNT	NONFEDERAL SHARE	FEDERAL SHARE	NONFEDERAL ACCOUNT	DISBURSEMENT	DATE	TOTAL AMOUNT	NONFEDERAL SHARE	FEDERAL SHARE	NONFEDERAL ACCOUNT	DISBURSEMENT	DATE	TOTAL AMOUNT	NONFEDERAL SHARE	FEDERAL SHARE
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<small>The first two entries on this schedule originate information on the in-kind donations transferred and "disbursed" by the nonfederal account. The third entry shows the federal account's 50 percent share of the donations was transferred to the nonfederal account on day 1. The entry cross-references the related entries.</small>																													

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